

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

PIPELINE FOODS, LLC, et al.,¹

Debtors.

Chapter 11

Case No. 21-11002 (KBO)
Jointly Administered

Related Doc. No. 13

Hrg. Date: August 11, 2021 at 1:00 PM (ET)

**OBJECTION BY COMPEER FINANCIAL, PCA, COMPEER FINANCIAL, FLCA, AND
COMPEER FINANCIAL, ACA, TO MOTION OF THE DEBTORS FOR INTERIM AND
FINAL ORDERS (I) AUTHORIZING THE USE OF CASH COLLATERAL;
(II) GRANTING ADEQUATE PROTECTION; (III) MODIFYING AUTOMATIC STAY;
(IV) SCHEDULING A FINAL HEARING; AND (V) GRANTING RELATED RELIEF**

Compeer Financial, PCA, Compeer Financial, FLCA, and/or Compeer Financial, ACA (collectively "Compeer"), by and through their undersigned counsel, file this objection to the Motion Of The Debtors For Interim And Final Orders (I) Authorizing The Use Of Cash Collateral; (II) Granting Adequate Protection; (III) Modifying Automatic Stay; (IV) Scheduling A Final Hearing; And (V) Granting Related Relief (the "Motion") [Doc. 13] in the above-referenced chapter 11 bankruptcy cases (these "Chapter 11 Cases"). In support of this Objection, Compeer states and alleges as follows:

PROCEDURAL HISTORY

1. The Debtors filed voluntary petitions for relief under Chapter 11 of the United States Code ("Bankruptcy Code") on July 8 and July 12, 2021 (the "Petition Dates"). The

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Pipeline Foods, LLC (5070); Pipeline Holdings, LLC (5754); Pipeline Foods Real Estate Holding Company, LLC (7057); Pipeline Foods ULC (3762); Pipeline Foods Southern Cone S.R.L. (5978); and Pipeline Foods II, LLC (9653). The Debtors' mailing address is 6499 University Avenue NE, Suite 200, Fridley, MN 55432.

Debtors continue to operate their businesses as debtors in possession under sections 1107(a) and 1108 of the Bankruptcy Code.

2. On July 14, 2021, the Court entered an interim order approving the Motion (the "Interim Order").

BACKGROUND

3. Compeer is member-owned, Farm Credit cooperative serving and supporting agriculture and rural communities and is engaged in the business of, among other things, making loans to farmers, cooperatives, and companies in the agricultural industry, which included extending loans to the Debtors.

4. Compeer and the Debtors are parties to several commercial loan and finance lease transactions, evidenced by, among other things, loan agreements, promissory notes, and security agreements (the "Loans"). As of the Petition Dates, Compeer estimates the balance owed by the Debtors under the Loans is not less than \$26,502,944.21, plus interest, default interest, late fees, costs, and attorneys' fees.

5. To secure the Debtors' obligations to repay the Loans, the Debtors executed and delivered various security agreements, pledges, and mortgages in favor of Compeer Financial, PCA and Compeer Financial, FLCA.

6. Compeer Financial, FLCA or Compeer Financial, PCA hold properly perfected, first priority security interest in all of the real property and fixed assets owned by the Debtors located at the following addresses:

Debtor	State, County	Address	Security Document	Exhibit
Pipeline Foods, LLC	Howard County, Iowa.	616 6th Avenue West Cresco, Iowa 52136	Recorded Mortgage	A

Debtor	State, County	Address	Security Document	Exhibit
Pipeline Foods, LLC	Steele County, Minnesota	3824 93rd Street SW, Hope 56046	Recorded Mortgage	B
Pipeline Foods, LLC	Steele County, Minnesota	100 5th Ave, Ellendale, MN 56026	Recorded Mortgage	B
Pipeline Foods, LLC	Clay County, MN	4111 30th Avenue South Moorhead, Minnesota 56560	Recorded Mortgage	B
Pipeline Foods Real Estate Holding Company, LLC	Burke County, ND	7029 99th Street NW, Bowbells, North Dakota	Recorded Mortgage	C

(the "Real Property Collateral").

7. Compeer Financial, FLCA and Compeer Financial, PCA have also been granted and hold properly perfected, security interests in all of Debtors' personal property assets, which are generally described as follows:

Debtor	UCC-1 Collateral Description (Security Agreements/Pledged Agreements contain full collateral descriptions)	Recorded/Filed Security Document	Exhibit
Pipeline Foods, LLC	100% Membership interest of Pipeline Holdings, LLC, Pipeline Foods, LLC, Pipeline Foods II, LLC in Pipeline Foods, LLC; Pipeline foods II, LLC; Pipeline Foods ULC, Pipeline Foods Southern Cone, SRL; and Pipeline Foods Real Estate Holding Company, LLC	UCC-1 Delaware Secretary of State) File Nos. 20191280812, 20191280960	D

Debtor	UCC-1 Collateral Description (Security Agreements/Pledged Agreements contain full collateral descriptions)	Recorded/Filed Security Document	Exhibit
Pipeline Foods, LLC	All Assets and personal property of the Debtor	UCC-1 (Delaware) 20191280812 Fixture Filings: Recorded instruments Nos. Clay County: 787470 Steele County: A000422603 Howard County: 2019250	E, F, G
Pipeline Foods Real Estate Holding Company, LLC	All Assets and personal property of the Debtor	UCC-1 (Delaware) 20182295303 Fixture Filing Recorded instruments Burke County: 268680	H, I
Pipeline Holdings, LLC	All Assets and personal property of the Debtor	UCC-1 (Delaware) UCC No. 20191280960	J

(the "Personal Property Collateral," together with the Real Property Collateral, the "Compeer Collateral").²

8. Compeer Financial, ACA and the Debtors are also parties to several commercial equipment leases (the "Equipment Leases"). As of the Petition Dates, Compeer estimates that the

² The description contained in this Objection of Compeer's Collateral is not an exhaustive list of the collateral in which Compeer retains a secured interest.

balance owed by the Debtors under the Equipment Leases is not less than \$467,243.00, plus interest, default interest, late fees, costs, and attorneys' fees. The Equipment Leases relate to heavy equipment and machinery, which is essential to the operation of Debtors' business (i.e., grain handling and logistics).

9. Prior to the Petition Dates, the Debtors possessed the following equipment pursuant to the Equipment Leases:

Debtor	Lease Number	Equipment
Pipeline Foods, LLC	353-4107618-001	2004 Trackmobile 4850
Pipeline Foods, LLC	353-4107618-002	1980 Trackmobile 9TM
Pipeline Foods, LLC	353-4107618-003	2006 Case 400 Skid Steer
Pipeline Foods, LLC	353-4107618-004	2018 John Deer 320 G Skidloader
Pipeline Foods, LLC	410-761800-001	2019 Case SV280 skid
Pipeline Foods, LLC	410-761800-002	2016 Kenworth T660
Pipeline Foods, LLC	410-761800-003	2006 TM 4250 railcar move
Pipeline Foods Real Estate Holdings, LLC	353-4365271-001	John Deer 644k, Wheel Loader
Pipeline Foods Real Estate Holdings, LLC	353-4365271-002	2016 Trackmobile Hercules Mobile Railcar Mover

(the "Leased Equipment"). All of the Leased Equipment is owned by Compeer.

10. Prior to the Petition Dates, Compeer Financial, PCA and the Rabobank Secured Parties³ entered into an intercreditor agreement (the "Intercreditor Agreement"), whereby Compeer Financial, PCA agreed, among other things, to subordinate its security interests in certain of the Personal Property Collateral to the security interests of Rabobank in certain working capital assets of Pipeline Foods, LLC, as more specifically described in the intercreditor agreement.

11. In the Budget filed in support of the Motion, Doc. 47-1, the Debtor and Rabobank Secured Parties provide for payment to Compeer Financial, ACA of approximately \$17,195.19 per month on account of the Leased Equipment.

12. The Budget does not contemplate any adequate protection payments to Compeer Financial, FLCA or to Compeer Financial, PCA for the Debtors' use of any Compeer Collateral, including the Real Property Collateral, during these Chapter 11 Cases.

13. Compeer Financial, FLCA and Compeer Financial, PCA estimate that the Compeer Collateral has a value of approximately \$20,212,300.00 based on appraisals conducted by them shortly prior to the Petition Dates. Given the outstanding debt obligation of \$26,502,944.21, there exists no equity cushion in the Compeer Collateral.

14. The protections afforded to Compeer in the Motion are simply derivative of the Rabobank Secured Parties and only provide protection to the extent there is value remaining after the Rabobank Secured Parties are paid.

15. The use of the Compeer Collateral and Leased Equipment for the purpose of liquidating the Rabobank Secured Parties' working capital necessarily diminishes the value of the Compeer Collateral.

³ Terms not specifically defined in this Objection have the meaning given them in the Motion.

ARGUMENT

16. "At any time, on request of an entity that has an interest in property used, sold, or leased, or proposed to be used, sold, or leased, by the trustee, the court, with or without a hearing, shall prohibit or condition such use, sale, or lease as is necessary to provide adequate protection of such interest."⁴

17. The Debtor bears the burden of proof on the issue of adequate protection.⁵

18. As indicated in the Motion and Budget, the Debtor intends to continue its operations and sell existing inventory by using Compeer's Collateral and Leased Equipment; however, the Debtors only intend on providing adequate protection on account of the Leased Equipment. While valuable, the value of the Leased Equipment pales in comparison to the value of the Compeer Collateral, including the Real Property Collateral.

19. The Debtor cannot be permitted to use the Compeer Collateral and Leased Equipment, which includes all of the Debtors' main storage facilities and equipment vital to the day-to-day operation of the Debtors in order to effectuate the liquidation of the Rabobank Secured Parties' working capital while providing no remuneration or protection to Compeer for any of the use or occupancy of its Collateral. Indeed, the Debtors' operations, as outlined in the Budget, will only further diminish Compeer's secured status and the value of the Compeer Collateral.

REQUEST FOR RELIEF

20. Compeer requests that the Court delay final approval of the Motion until the Debtors make arrangements for adequate protection payments to Compeer in the Budget.

⁴ 11 U.S.C. § 363(e).

⁵ 11 U.S.C. § 363(p).

WHEREFORE, Compeer requests that the Court deny final approval of the Motion.

Dated: July 28, 2021

/s/ Thomas M. Horan

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